Data Submitted (UTC 11): 10/19/2020 8:00:00 AM
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Comments: Comments on behalf of Taxpayers for Common Sense on the South Revillagigedo Integrated Resource Project Draft Environmental Impact Statement (DEIS) are attached.

RE: U.S. Forest Service South Revillagigedo Integrated Resource Project Draft Environmental Impact Statement (DEIS)

Thank you for the opportunity to provide public comment on the Draft Environmental Impact Statement (DEIS) prepared for the South Revillagigedo Integrated Resource Project published in September 2020. Taxpayers for Common Sense (TCS) is a national nonpartisan budget watchdog organization that has tracked government waste issues and the management of natural resources on federal lands for 25 years. As it is presented, TCS is concerned that the South Revilla Integrated Resource Project will perpetuate longstanding problems in the management of Tongass timber and exacerbate taxpayers losses from below-cost timber sales, whether it ever proceeds to the sale stage or not.

Forest Service Methodology and Transparency
TCS analysts have been scrutinizing the documentation surrounding Forest Service timber sales in the Tongass National Forest for decades. The scope of analysis in these documents is circumscribed by the requirements of the National Environmental Policy Act (NEPA), but the level of detail presented for certain issues has tended to vary from one timber sale project to the next. In recent years, discussion of potential costs to the Forest Service, and thereby to taxpayers, has often been neglected, and in some cases, forsaken altogether. Omitting such information suggests a casual disregard for the agency[rsquo]s obligation to uphold the financial trust of American taxpayers.

In the DEIS for the South Revilla project, the Forest Service has returned to prior practice and included a breakdown of anticipated costs to the agency from the proposed alternatives.1 The analysis falls short in several regards, and the ongoing preparation of below-cost timber sales belies continued indifference to the taxpayer interest, as detailed below. However, the agency[rsquo]s effort to provide some transparency regarding the effect of potential timber sales on the agency[rsquo]s budget is a positive development.

In addition to addressing our concerns identified in the following section, the agency could further demonstrate its commitment to transparency by releasing a copy of the Financial Analysis Spreadsheet Tool [ndash] Residual Value (FASTR) used to generate estimates alongside any future EIS documents.

Comprehensive data reflecting actual costs [ndash] to the agency and to harvesters [ndash] from past timber sales in the Tongass would also foster greater trust in the Forest Service[rsquo]s estimates. Some information regarding stump-to-truck costs from past sales was included in the project record for the proposed rule for Roadless Area Conservation in National Forest System Lands in Alaska.2 Similar data on the full range of stump to mill costs from past sales would enhance taxpayers[rsquo] confidence in the estimates provided in EIS documents.

Timber Sale Economics and Forest Service LossesBackground

For decades, the Forest Service has administered timber sales in the Tongass that have generated net losses for the agency, and thereby federal taxpayers. That is, the costs incurred by the Forest Service to administer its timber sales program have surpassed receipts generated from the resulting sales. In 2016, the Government Accountability Office (GAO) reported that from fiscal year (FY) 2005 to 2014, the Forest Service expended an average of $12.5 million annually for timber-related activities and received only $1.1 million on average in receipts from timber harvest, resulting in an average net loss of roughly $11.4 million.

The receipts data GAO used to make its calculation were accurate, but the expenses of the Forest Service were understated; the GAO considered neither certain trust fund outlays nor the costs of roadbuilding to implement timber sales.

Including outlays from trust funds providing for specific types of timber sales and reforestation after timber harvest, the Forest Service[rsquo]s annual expenses on timber-related activities averaged nearly $14 million over the 10-year period, resulting in an average annual net loss of $12.9 million. Extending the same methodology, the Forest Service lost $13.5 million on average over the 20-year period from FY 2000 to 2019 administering timber sales.

However, these annual loss averages do not take into account the millions of dollars the Forest Service spends annually to build and maintain roads in the Tongass National Forest, of which the [ldquo]vast majority [hellip] were developed for timber harvest purposes.[rdquo]3 Despite their primary intended use [ndash] to facilitate timber harvest [ndash] the costs of building and maintaining these National Forest System roads are often fully paid for by the Forest Service. If all roadbuilding costs are taken into account, the Forest Service has lost $23.6 million on average annually over the last 20 years providing for timber sales in the Tongass National Forest.4 In a recent report, TCS found that over the last 40 years dating back to FY 1980, taxpayers have lost $1.7 billion on Tongass timber sales.5

South Revilla Timber Sale Projections

Under the action alternatives evaluated in the DEIS, the South Revilla project would provide for the sale and harvest of between 79.4 million board feet (MMBF) and 91.7 MMBF of timber over 15 years. These harvests would take place across 6,202 acres (Alternatives 2, 4) or 5,320 acres (Alternative 3) of the project area. The net fiscal result of the planned timber sales depends on a number of factors including final Forest Service administrative costs, actual road-building costs, and harvester bids. Nonetheless, if the costs and receipts associated with the South Revilla project sales conform to historical averages over the last decade, taxpayers could lose up to $52.8 million (Alt. 2) or $45.7 million (Alt. 3).6

Much of the Forest Service losses in recent years derived from agency expenses on sales that failed to attract a bidder. Calculating total losses per MBF sold thus overstates losses from successful sales. However, it is somewhat likely the South Revilla project will also fail to attract a bid (if sales ever appraise positive), and it is abundantly clear the agency will lose millions of dollars even if a bid is accepted at a successful sale.

In Table 16 of the South Revilla DEIS, the Forest Service estimates it will spend between $7.3 million and $8.4 million to prepare and administer timber sales under alternatives 2 and 3, respectively. There is no chance the Forest Service will raise sufficient revenues from the proposed timber sales to cover those expenses. From FY 2012 to 2019, the Forest Service sold, and loggers harvested, roughly 250 MMBF in the Tongass [ndash] approximately 2.7 times the amount that would be sold under alternative 2 [ndash] and yet agency receipts totaled just $5.9 million. Taxpayers are set to lose millions of dollars before the project moves forward another step.

Further, there is reason to believe Forest Service spending will surpass the stated estimates, causing further losses. As the agency acknowledges in the DEIS, timber sales in the Tongass must conform to legislative directives passed in annual appropriations acts, namely:

No timber sale in Alaska[rsquo]s Region 10 shall be advertised if the indicated rate is deficit (defined as the value of the timber is not sufficient to cover all logging and stumpage costs and provide a normal profit and risk allowance under the Forest Service[rsquo]s appraisal process) when appraised using a residual value appraisal. (P.L. 116-94, Division D, Sec. 436)

In the South Revilla DEIS, the Forest Service states that using current timber values and logging costs, sales under any of the alternatives do not appraise positive.7 In fact, the indicated advertised rates are far from positive, ranging from $(89.71)/MBF to $(104.09)/MBF. The agency[rsquo]s decision to complete its Draft EIS and pursue the project after calculating these rates represents an irresponsible use of taxpayer funds.

The only logical rationale is that the Forest Service expects sales under the project to appraise positive in the future. It is unlikely that market dynamics will shift dramatically enough to accommodate the calculated rates. In the only indication of the agency[rsquo]s intent, it states:

Although the alternative appears not to appraise positive using preliminary information, positive sales can be achieved at implementation through unit and road design. (Pages 20, 29)

Either of the possible remedies suggested by the Forest Service entails deeper taxpayer losses. Designing units to appraise positive indicates that certain portions of the project area would not be offered for sale. This would decrease revenues relative to the costs that are already sunk, increasing losses. [ldquo][R]oad design[rdquo] is more ambiguous, but nonetheless suggests that the agency is prepared to pay for roadbuilding to reduce stump to mill costs for harvesters to enable positive appraisals. Total transportation costs for the project range up to $12.4 million under the preferred alternative. To the extent those costs are covered by the Forest Service, taxpayers stand to lose.

Spending millions of dollars more for the South Revilla project than the agency projects to collect in revenue and paying for roadbuilding are direct subsidies to the logging industry. Continued action down this path without amendment would represent gross misuse of public resources. Before proceeding, the agency must publish an estimate of any additional costs for road construction, decommissioning, storage, or the like it plans to incur, as well as a complete analysis of the project's costs and benefits. If the sum of the costs assessed exceeds potential benefits, the South Revilla project should be abandoned.

Conclusion

For the concerns detailed above, Taxpayers for Common Sense strongly opposes moving forward with the South Revilla Project under any of the action alternatives under current consideration. Until the longstanding problems associated with money-losing timber sales in the Tongass are fully addressed and resolved, the Forest Service[rsquo]s already limited financial resources will be further constrained and federal taxpayers will be asked to continue to provide a multi-million-dollar subsidy to the timber industry.

1 U.S. Forest Service, [ldquo]South Revillagigedo Integrated Resource Project: Draft Environmental Impact Statement,[rdquo] September 2020, pages 56-57.

2 U.S. Forest Service, [ldquo]R10 timber sales before after 2011 Roadless ip 112219,[rdquo] January 17, 2020.

3 U.S. Forest Service, [ldquo]Final Environmental Impact Statement: Tongass Land and Resource Management Plan.[rdquo] June 2016.

Appendix C, page C-4.

4 Total does not account for the effects of inflation over the period fiscal year 2000-2019.

5 TCS, [ldquo]Cutting Our Losses after 40 Years of Money-Losing Timber Sales in the Tongass,[rdquo] September 2020. Available at: https://www.taxpayer.net/energy-natural-resources/cutting-our-losses-tongass-timber-2/

6 TCS calculation using USFS outlays data reported in annual Evaluation & Monitoring Reports and receipts data collected from USFS Secure Rural Schools [ndash] All Service Reports. Expenses and receipts stated in 2019 dollars.

7 Page 60.